GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2283
ANSWERED ON:10.03.2006
RISE IN SENSEX
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Will the Minister of FINANCE be pleased to state:

(a) whether recently the Sensex at Bombay Stock Exchange (BSE) reached at level of 10000 points which was not consistent with the economic fundamentals of the country;

(b) if so, the reasons for Security and Exchange Board of India not intervening after it crossed 10000 points; and

(c) the steps taken/proposed to be taken by Government to protect the small investors?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

a) The benchmark Index of the Stock Exchange, Mumbai (BSE), Sensex closed above the 10000 level on 7th February, 2006.

The upward movement of the index is a function of increased investment arising of positive perception of the economy, and / or a sector or an index stocks. Movements of stock indices also depend on economic factors, domestic and international events, market sentiments, corporate performance and future economic growth. The stock market capitalises the present and future values of growth opportunities while evaluating the growth of all sectors in economy. The upward movement of the index contributes to the positive perception of the international investment community towards the capital market and is generally associated with higher level of investment in the capital market as well as direct investment in the economy. Generally this is associated with increased financial health of the economy.

(b) & (c): The Securities and Exchange Board of India (SEBI), is keeping a constant vigil on the market, irrespective of the levels of the sensex and has taken immediate action wherever warranted. Several scrips have been shifted to trade to trade segment to discourage day trading and speculation. Circuit filters / price bands have been imposed on several scrips. SEBI has also been conducing regular and weekly meetings with surveillance officials of the stock exchanges. The stock exchanges have also been advised to step up their own surveillance measures. The stock exchanges have been advised to initiate expeditious demonstrative action wherever warranted so as to protect investors` interest and ensure orderly functioning of the stock market. Additionally, from time to time the stock exchanges also are issuing list of do`s and dont`s for investors with regard to dealing in securities through leading English and Hindi newspapers. SEBI also emphasises the same through its periodically conducted investor education programmes.

The objective of the Government and SEBI is to ensure that securities markets operate in an orderly, transparent, safe and fair manner so that the interests of investors are protected. In pursuance of this objective, it has been the endeavor of SEBI to make available to investors all relevant information about the issuers, the securities and the institutional arrangements of the market in order to enable investors to take informed decisions.